A Study of Perceptions, Opportunities & Problems for Retail Investors with Reference to Mutual Funds (In Special Reference to Rajasthan)

Synopsis
Submitted for the award of Ph.D. Degree of
Maharishi Dayanand Sarswati University, Ajmer
in the faculty of Commerce

By
Raghvendra Bochaliya

Under Supervision of
Dr. B.P. Joshi

Maharishi Dayanand Sarswati University, Ajmer
2016

Appendix IV

Index

S.No.	Detail	P.No.
1.0	Name of Scholar	-
2.0	Title of the Research Work	-
3.0	Location	-
4.1	Introduction	1
4.2	Importance of the Study	12
4.3	Statement of the Problem	13
4.4	Objectives of the Study	13
5.0	Review of Related Literature	14
6.0	Research Gap	22
7.0	Hypothesis of the Study	24
8.1	Research Methodology	25
8.2	Sampling	25
8.3	Instrument Development	26
8.4	Data Analysis and Software Used for Data Analysis	26
8.5	Limitations of the Study	26
8.6	Chapter Scheme	27
	Bibliography	

Signature of Candidate with date.

Out Line of the Synopsis Approved

Signature of Supervisor with date

1. Name of Scholar (In English) : **Raghvendra Bochaliya**

   (In Hindi) : **jk?kosUnz cksNkfy;k**

2. Title of the Research Work

   (In English) : **A Study of Perceptions, Opportunities & Problems for Retail Investors with Reference to Mutual Funds(In Spesial Reference To Rajasthan)**

   (In Hindi) : **E;wpqvy QaM ds lUnHkZ esa [kqnjk fuos"kdksa ds izR;{k.k]voljksa ,oa leL;kvksa dk ,d v/;;u (jktLFkku ds fo"ks'k lUnHkZ esa)**

3. Location

   a. Institution/Department where the work is to be done.

      M.D.S. University,Ajmer.

   b. Geographical area of Investigation, if any.

      Rajasthan

4.1 Introduction

In the kingdom of households, one of the biggest trends that have arisen in the past 20-25 years is disintermediation sometimes called disaggregation of financial services. Householders are being called upon to make complex and important financial decisions that they did not have to make in the past. A prime instance in the investment management area is in providing for retirement. In the past, people had defined benefit pension plans provided by their employers. Pension plans specified benefits as a fraction of final pay scale before retirement and require no management on the part of the householder. For some time, the trend had been to replace these plans with defined contribution plans in which employee must decide on the mix of investments. In today's world, the householder confronts lots of opportunities and financial product choices. Although having choices is nice, it is also a quite daunting task to select among them. How do households get the necessary knowledge and expertise to execute effective plans is a great matter of concern. The approach to saving and retirement planning simply hands out all the parts of the task to householders. Investors must make all the decisions and assemble the product parts to minimize risk.

A lot of structural changes and innovations have occurred both in international and national financial system. As a result, the deep change in money and capital markets has undergone for furtherance in financial activities. Simultaneously, household savings and investment attitude and preference have increased. If the investment is properly undertaken, the return will be proportionate with the risk the investor assumes. Emergence of new financial institutions and instruments came into existence to cater the needs of public.

There are a large number of investment instruments available in present days. Fixed deposits with banks are for investors with low risk appetite, giving return marginally higher than savings account but lower than money market fund. Post office monthly income scheme is a low return and low risk saving instrument which provides low interest rate of about 8 percent per annum. Public provident fund is long term savings instrument with a maturity of 15 years and interest payable at nearby 8 percent per annum compounded annually. Tax benefits can be availed for the amount invested and interest accrued is tax-free. Company deposits are short-term to medium-term borrowings by companies at a fixed rate of interest which is payable monthly, quarterly, semi- annually or annually. The rate of interest varies between 6-9 percent per annum for company fixed deposits. The interest received is after deduction of taxes. Bond is a debt instrument issued for the purpose of raising capital. A bond is generally a promise to repay the principal along with a fixed rate of interest on a specified date, called the maturity date. Shares are another most popular high-risk high return investment option available to investors. Equity investment has the potential to yield high return but also has equivalent risk. Real assets are physical investments, which would include real estate, gold & silver, precious stones, rare coins & stamps and art objects.

Different investment avenues have different characteristics. Some may provide safety but low return while some may provide high return bur are very risky. Some investments provide liquidity but furnish low return. Before choosing the right avenue for investment, investors need to evaluate and compare them. This would also help him in creating a well-diversified portfolio, which is both maintainable and manageable. But an individual investor may not posse's analytical skills to evaluate the prospect and risk from the investment.

Markets for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price

changes in these assets are driven by global events occurring in faraway places. A typical individual investor may not have the knowledge, skills, inclination and time to keep track of events, understand their implications and act speedily. An individual also finds it difficult to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc.

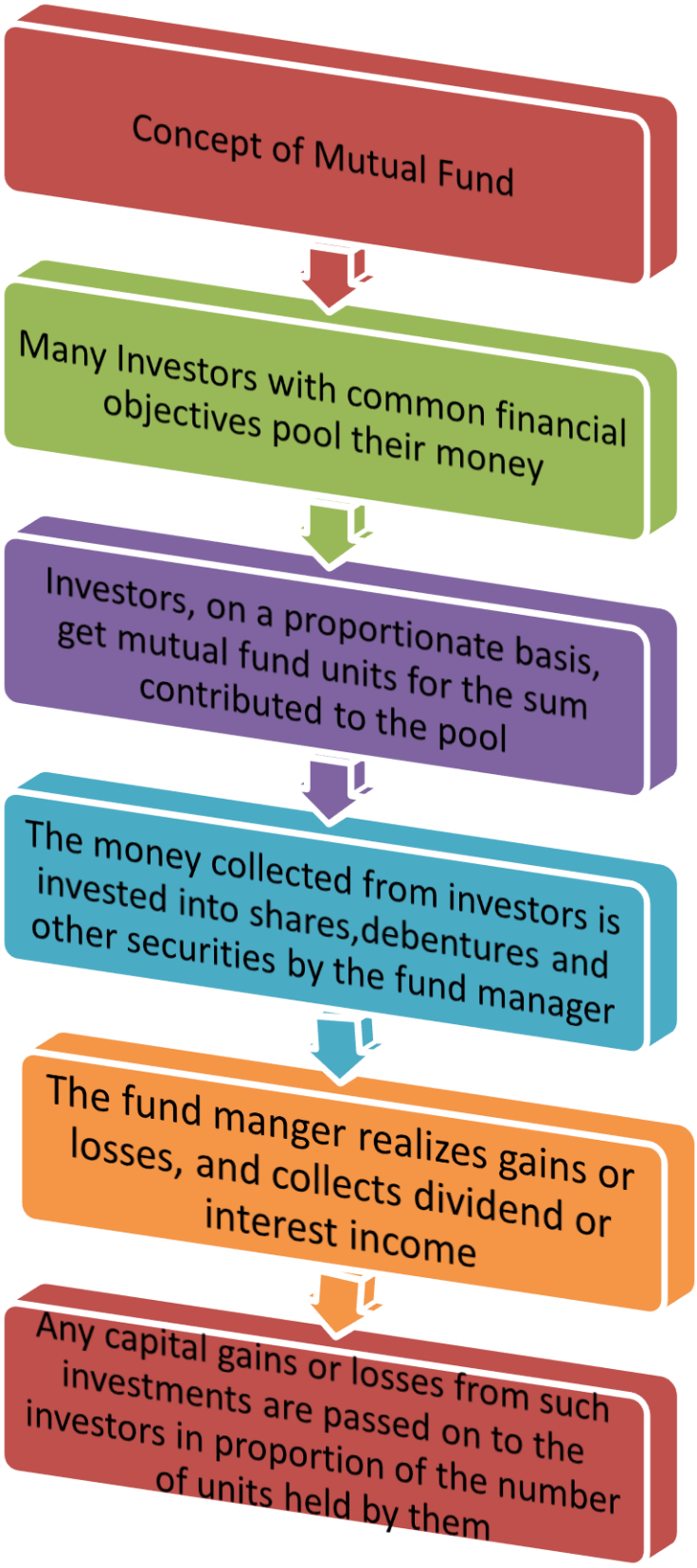
A mutual funds is the answer to all these situations. A mutual funds is the ideal investment vehicle for today's complex and modern financial scenario. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, mutual funds vehicles develop economies of scale in all three areas - research, investments and transaction processing

Concept of Mutual Fund

A Mutual Fund is a collective investment vehicle formed with the specific objective of raising money from a large number of individuals and investing it according to a pre-specified objective, with the benefits accrued to be shared among the investors on a pro-rata basis in proportion to their investment.

According to Encyclopedia Americana, "Mutual funds are open end investment companies that invest shareholders' money in portfolio or securities. They are open ended in that they normally offer new shares to the public on a continuing basis and promise to redeem outstanding shares on any business day."

According to Securities and Exchange Board of India Regulations, 1996 a mutual fund means "a fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments".


Concept of Mutual Fund
Many Investors with common financial objectives pool their money
Investors, on a proportionate basis, get mutual fund units for the sum contributed to the pool
The money collected from investors is invested into shares,debentures and other securities by the fund manager
The fund manger realizes gains or losses, and collects dividend or interest income
Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them

A Mutual Fund is a trust registered with the Securities and Exchange Board of India (SEBI) which pools up the money from individual/corporate investors and invests the same on behalf of the investors/units holders, in equity shares, government securities, bonds, call money market etc. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. This pooled income is professionally managed on behalf the unit-holders, and each investor holds a proportion of the portfolio.

Importance of Mutual Fund

Small investors face a lot of problems in the share market, limited resources, lack of professional advice, lack of information etc. Mutual funds have come as a much needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in wide variety of portfolio's of Corporate securities in such a way, so as to minimise risk, while ensuring safety and steady return on investment. It forms an important part of the capital market, providing the benefits of a diversified portfolio and expert fund management to a large number, particularly small investors. Now a days, mutual fund is gaining its popularity due to the following reasons :

l. With the emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. The basic purpose of reforms in the financial sector was to enhance the generation of domestic resources by reducing the dependence on outside funds. This calls for a market based institution which can tap the vast potential of domestic savings and channelize them for profitable investments. Mutual funds are not only best suited for the purpose but also capable of meeting this challenge.

2. An ordinary investor who applies for share in a public issue of any company is not assured of confirm allotment. But mutual funds who subscribe to the capital issue made by companies get confirm allotment of shares. Mutual fund latter sell these shares in the same market and to the Promoters of the company at a much higher price. Hence, mutual fund creates the investors confidence.

3. The psyche of the typical Indian investor has been summed up in three words; Yield, Liquidity and Security. The mutual funds, being set up in the public sector, have given the impression of being as safe a conduit for investment as bank deposits. Besides, the assured returns promised by them have investors had great appeal for the typical Indian investor.

4. As mutual funds are managed by professionals, they are considered to have a better knowledge of market behaviours. Besides, they bring a certain competence to their job. They also maximise gains by proper selection and timing of investment.

5. Another important thing is that the dividends and capital gains are reinvested automatically in mutual funds and hence are not fritted away. The automatic reinvestment feature of a mutual fund is a form of forced saving and can make a big difference in the long run.

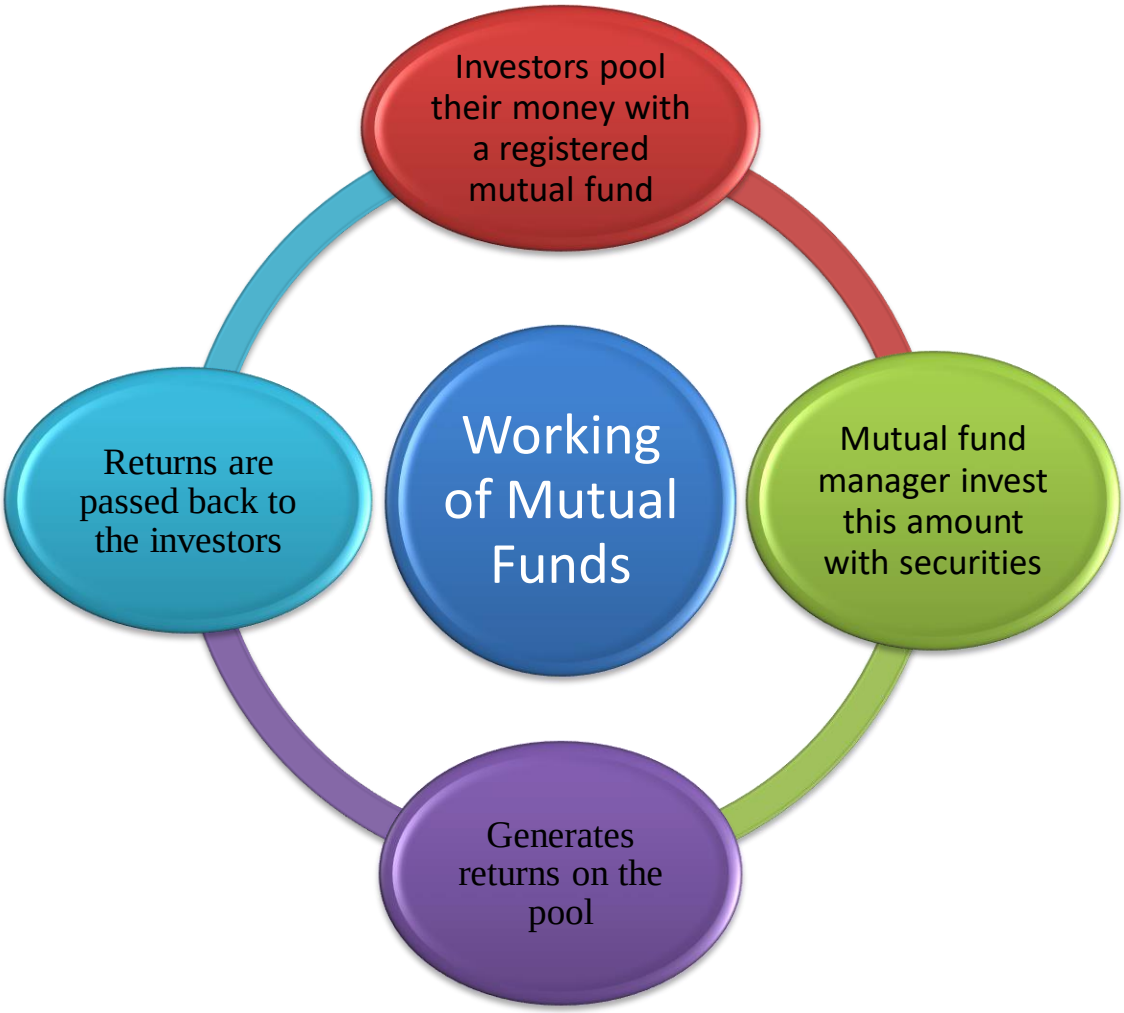
6. The mutual fund operation provides a reasonable protection to investors. Besides, presently all Schemes of mutual funds provide tax relief under Section 80 L of the Income Tax Act and in addition, some schemes provide tax relief under Section 88 of the Income Tax Act lead to the growth of importance of mutual fund in the minds of the investors.

7. As mutual funds creates awareness among urban and rural middle class people about the benefits of investment in capital market, through profitable and safe avenues, mutual fund could be able to make up a large amount of the surplus funds available with these people

8. The mutual fund attracts foreign capital flow in the country and secure profitable investment avenues abroad for domestic savings through the opening of off shore funds in various foreign investors. Lastly another notable thing is that mutual funds are controlled and regulated by SEBI and hence are considered safe. Due to all these benefits the importance of mutual fund has been increasing.

Operational flow of Mutual Fund

The following diagram depicts the operational flow of Mutual Fund


Investors pool their money with a registered mutual fund
Mutual fund manager invest this amount with securities
Generates returns on the pool
Returns are passed back to the investors
Working of Mutual Funds

Entities Involve In Organizational Structure of Mutual Fund
The following entities involve in organizational structure of mutual fund:

- Investors
- Sponsors
- Asset Management Company (AMC)
- Trustees
- Distributors
- Registrars
- Custodian/
- Depositors

Types of Mutual Fund Schemes

Mutual Fund schemes may be classified on the basis of its structure and investment objective.

Mutual Fund

By Structure	By Investment	Others
• Open ended	Growth Scheme	Tax Savings Scheme
• Close ended	Income Scheme	Industry Specifics
	Balance Scheme	Index Funds
	Money Market	Sectoral Funds
		Exchange Trade

History of The Mutual Funds

Historians are uncertain of the origins of investment funds; some cite the closed-end investment companies launched in the Netherlands in **1822** by **King William I as the first mutual funds**, while others point to a Dutch merchant named Adriaan van Ketwich whose investment trust created in 1774 may have given the king the idea. Van Ketwich probably theorized that diversification would increase the appeal of investments to smaller investors with minimal capital. The name of van Ketwich's fund, *Eendragt Maakt Magt*, translates to "unity creates strength". The

next wave of near-mutual funds included an investment trust launched in Switzerland in 1849, followed by similar vehicles created in Scotland in the 1880s. The idea of pooling resources and spreading risk using closed-end investments soon took root in Great Britain and France, making its way to the United States in the 1890s. The Boston Personal Property Trust, formed in 1893, was the first closed-end fund in the U.S. The creation of the Alexander Fund in Philadelphia, Pennsylvania, in 1907 was an important step in the evolution toward what we know as the modern mutual fund. The Alexander Fund featured semi-annual issues and allowed investors to make withdrawals on demand.

The Arrival of the Modern Fund

The creation of the Massachusetts Investors' Trust in Boston, Massachusetts, heralded the arrival of the modern mutual fund in 1924. The fund went public in 1928, eventually spawning the mutual fund firm known today as MFS Investment Management. State Street Investors' Trust was the custodian of the Massachusetts Investors' Trust. Later, State Street Investors started its own fund in 1924 with Richard Paine, Richard Saltonstall and Paul Cabot at the helm. Saltonstall was also affiliated with Scudder, Stevens and Clark, an outfit that would launch the first no-load fund in 1928. A momentous year in the history of the mutual fund, 1928 also saw the launch of the Wellington Fund, which was the first mutual fund to include stocks and bonds, as opposed to direct merchant bank style of investments in business and trade. Between 1930 and 1970 mutual funds grew relatively little, although there was an upsurge of interest in equity funds during the stock market boom of the early and mid 1960s. However, this was reversed in the 1970s following the first oil crisis and the poor performance of equity markets. Growth of equity and bond funds resumed in the early 1980s as macroeconomic performance and equity markets started to improve. But growth did not become explosive until the early 1990s.

Indian Scenario

The Securities and Exchange Board of India (Mutual Funds) Regulations 1993, defines a Mutual fund as, "Mutual Fund means a fund established in the form of a Trust by a sponsor to raise money by the Trustee through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulations." Every scheme has an investment objective or philosophy, i.e. a promise by the Asset Management Company (AMC) on how the funds would be managed. Investors in a scheme are essentially buying into this investment objective or philosophy Mutual fund schemes can be offered with a wide range of investment objectives, each corresponding to a certain point in the risk-return matrix. On the basis of the tenor of operation, schemes are classified as -open end, closed end and interval fund. Open ended funds are more popular in India due to the distinctive feature of regular sale and repurchase of units on an ongoing basis. On the basis of portfolio managed, schemes are classified as income schemes, equity schemes, balanced schemes, liquid/money market schemes, gilt schemes, equity linked saving schemes, exchange traded funds and fund of funds investing overseas.

Among the investors who subscribe to a scheme, some might prefer a regular flow of income (dividend option),while others might prefer their income from the scheme to grow in the scheme itself (growth option) and some may like the amount to be declared as dividend, but reinvested in the same scheme (dividend re-investment option). Association of Mutual Funds in India (AMFl) is the apex body of all Asset Management Companies which has been registered with Securities and Exchange Board of India (SEBI).SEBI regulates the mutual fund sector in India. It is in the equity, equity linked savings scheme and balanced schemes that individual investor participation is predominant. The promoter is referred to as a sponsor. It is obligatory for every mutual fund to have an AMC to manage the mutual fund and operate its scheme. The concept of mutual fund was introduced in India with the

setting up of the Unit Trust of India (UTI) in 1964. The 46 years of mutual fund history in India can be divided into four distinct phases -Phase I (from 1964 to 1987), the UTI monopoly years; Phase II (1987 to 1993) public sector competition; Phase III (1993 to 2003) rapid growth with private participation and SEBI regulation of industry; and Phase N (since 2003), the UTI crisis and after. Till 1986-87 UTI had complete monopoly over the mutual Fund industry. In 1987, the Government of India permitted public sector banks and insurance companies to launch mutual funds. A new era in the mutual fund industry began with the entry of private sector funds in 1993 and the first mutual fund regulations were promulgated, which were subsequently replaced by the SEBI (Mutual Fund) Regulations of 1996.There are four different types of players operating in the Indian market: UTI, public sector bank sponsored, public sector financial institutions sponsored and private sector mutual funds. As on March 2010, the Indian mutual fund Industry consists of 38 Asset Management Companies (AMCs) managing 882 schemes.

The size of the Mutual Funds Industry is expected to grow at the rate of 22 to 25 percent in the period from 2010 to 2015, resulting in Asset under Management (AUM) of Rs.16000 to 18000 billion in 2015. Despite clocking growth rates that are amongst the highest in the world, the mutual fund Industry in India is very small comprising 0.32 percent share of the global AUM of USD 18.97 trillion as of December 2008. The current scenario in the Industry is characterized by problems in distribution, low investor awareness and concentration of corporate investors.

4.2 Importance of the Study

It is widely believed that mutual funds is a retail product designed to target small investors, salaried people and others who are intimidated by the stock market but, nevertheless, like to reap the benefits of stock market investing. At the retail level, investors are unique and are highly heterogeneous group. Hence, designing a general product and expecting a good response will be futile, though UTI could do

this nearly for three decades (1964-1987) due to its monopoly in the industry. In the second phase of oligopolistic competition (1987-1992), the public sector banks and financial institutions entered the field. Backed by the existent boom condition, it was a smooth sailing for the industry. Further, the globalization and liberalization measures announced by the government led to a paradigm shift in the mind set of investors and the capital market environment became more unfriendly to retail investors. They had no other choice but to turn to mutual funds to reap the benefits of stock market investing. Hence, the need to be innovative in designing the product was not felt and investors had to choose from the limited schemes offered. During the third phase (1992 hence) the industry was thrown open to the private sector and the stage got set for competition.

Currently there are approximate 50 mutual funds companies, managing more than 1000 schemes (AMFI, 2011) with varied objectives and AMCs compete against one another by launching new products or repositioning old ones. In future, mutual funds industry will have to face competition not only from within the industry but also from other financial products that may provide many of the same economic functions as mutual funds but are not strictly mutual funds.

All this, in aggregate, heightens consumer confusion in his selection of the product. Besides, consumer finds it difficult to identify right type of product to satisfy different objectives. With this background, an attempt is made in this research to measure perception about mutual funds among investors and to study the opportunities and problems for retail investors for investment in mutual funds in Rajasthan State.

Proposed research study will be helpful to the companies to access the perceptions about mutual funds among retail investors, what factors investors perceive to be opportunities for investment in mutual funds and what problems investors face

while investing in mutual funds. So companies can take necessary steps to improve it for the betterment of company's future; satisfying investor's expectation.

4.3 Statement of The Problem

A Study of Perceptions, Opportunities & Problems for Retail Investors with Reference to Mutual Funds

4.4 Objectives of the Study

1. To identify the factors affecting Perceptions, opportunities and problems for investment in mutual funds.

2. To study the socio economic profile of retail investors and extracted factors of Perceptions, opportunities and problems.

3. To study the association of socio economic profile and investment pattern of retail investor's in mutual funds.

4. To study the retail investor's preference towards various features of mutual funds in India.

5. To study the retail investor's preference towards various investment instruments available.

6. To put forward suggestions with a view to increase Perceptions and identify opportunities available and to solve problem for investment in mutual funds.

5.0 Review of Related Literature

The study of **Friend, et al (1962)** on 152 mutual funds was a pioneering work on mutual funds in USA. The study revealed that comparison of fund return with turnover and expense ratios did not reveal a strong relationship.

Sharpe(1966) evaluated 34 open ended mutual funds for the period 1944-63. The study concluded that low expense ratio is the factor responsible for good

performance and size of fund matters little. To him there is inverse relationship between expense ratio and fund performance.

Treynor and Mazuy (1966) studied the performance of 57 fund managers about their market forecasting abilities and found that the fund managers are incapable of estimating the market trend. The study suggests that the fund managers should take care of the stock selection and market timing abilities.

Jensen (1968) The study was related to risk-adjusted returns. He evaluated the ability of 115 fund managers in respect of stock selection. He concludes that the performance of mutual funds was not satisfactory due to inefficiency of fund managers in respect of stock selection.

Fama (1972) identified four components of portfolio return viz. risk free return, compensation for systematic risk, compensation for inadequate diversification, ability of selectivity. He stated that by altering systematic and unique risk, a portfolio can be reshuffled to get desired level of return. A portfolio manager can earn superior returns by identifying the undervalued securities through constant research and professional acumen.

McDonald and John (1974) stressed on the existence of positive relationship bet experienced better results.

Gupta (1974) used the Sharpe, Treynor and Jensen measure in order to analyze the performance of mutual fund industry for the period 1962-71. He found that all funds out performance.

Vidyashankar (1990) found that investors preferred mutual funds to bank or company deposits as it provides better investor protection because of SEBI interference. He opined that mutual funds will have a dominant role to play in the Indian capital market in near future. scheme of UTI from the investor point of view by employing Capital Asset Pricing

Barua (1991)&Bansal(1991) accepted the role of mutual funds as an important intermediary between the investors and the capital market. Mutual funds are gaining popularity as they are providing the benefits of liquidity, safety and earning steady returns.

Sarkar (1991) examined the Sharpe and Treynor index as mutual funds performance evaluation measures. He pointed out that the Sharpe and Treynor indexes could be used for performance evaluation of mutual funds at different level of risk.

Barua and Varma (1991) studied the performance of Master share scheme of UTI during the period 1987-1990. The study concluded that the Master share scheme outperformed the market but it failed to attract small investors. Only large investors were benefited.

Gupta (1991) considers interest rate on bank fixed deposits as the risk-free rate in analyzing the performance of mutual funds. He stated that bank fixed deposits are absolutely safe as perceived by the investors.

Gangadhar (1992) opined that investors like mutual funds investments because of its assured return, low risk and liquidity. He pointed out that open ended mutual fund liquidity.

Kaura&Jayadev (1995) evaluated the performance of five growth oriented schemes for the period 1993-94, by the use of Sharpe, Treynor and Jensen measures. performed better than the market in terms of systematic but not in terms of total risk..

Mathur(1996) concluded that the concept of mutual funds is gaining practical relevance in India and as a result of which a large number of funds have been floated on the recent past.

Kaptain (**1996)** explained the origin, types and growth of mutual funds in India and concluded that the mutual fund schemes gained ground in India, but it is yet to gain the requisite confidence of investors and brokers.

Bansal (1996) highlighted on the constitution and management of mutual funds and analyzed the challenges of mutual funds in India. The study concluded that the future of mutual funds to a great extent depends on the response of regulatory agencies on the demands and expectations of small investors. Greater transparency, increased innovations, better services, liquidity and higher returns in future will make mutual funds more investor friendly.

Tripathy (1996) pointed out that in the globalisedera, the role of capital market has expanded tremendously. Mutual funds should devise newer products and policies in order to mobilize more resources from the investors there by gaining investors confidence. Mutual funds should give emphasis on transparency in operation, better disclosure and introducing schemes in order to meet varied needs of investors.

Krishnamurthi (1997) pointed out that especially for small and medium investors with limited resources and skill to invest in capital markets, mutual funds are the ideal investment vehicle. Mutual funds with its professional skill, capability to select right direction so as to earn steady return.

Sahadevan and Thiripalraju (1997) compared the performance of public sector and private sector mutual funds for the period 1995-96 using the BSE Natex as the market index. The study concluded that the private sector mutual funds outperformed the public sector mutual funds.

Sehgal (1997) analyzed the importance of Capital Asset Pricing Model (CAPM) in Indian capital market using three parameters such as mean returns, risk and skewness. He used 80 securities included in BSE national index and the study

covers a period from April 1984 to March 1993. The study revealed that CAPM is not a suitable model of asset pricing in case of Indian capital market.

Rao and Venkateswarlu (1998) in their study used the Treynor-Mazuy and Hendrickson- Merton measures for the purpose of evaluating the performance of UTI fund manager in respect of market timing abilities. The study concluded that fund managers of listed schemes of UTI are poor in forecasting the market and making necessary adjustments with change in market conditions.

Katerina (1998) The study deals with selecting an appropriate benchmark for managers could help investors make more informed decisions by providing estimates of expected future asset allocations for their funds.

Avadhani (1999) critically examines the role of mutual funds, guidelines of MMMFs, RBI guidelines on mutual funds and regulation of mutual funds in India.

Ramesh Chander (2000) conducted a study on performance appraisal of 34 mutual fund schemes taking BSE SENSEX as benchmark. He pointed out that open ended schemes out- performed the market than close ended schemes. He also pointed out that income funds are able to earn a steady return than the growth and balanced funds. He suggested that mutual funds should improve the market timing ability of fund investment.

Singh (2001) showed several inconsistencies in mutual funds working and concluded that mutual funds could not perform well during the past couple of years because of these inconsistencies.

Gupta (2001) The study relating to performance of 73 selected mutual fund schemes (close-end and openable to diversify the risk properly, there was mismatch of risk and return with investment objective and there was absence of market timing abilities of making investment. They pointed out that tax benefits associated with mutual funds is the basic driving force behind mutual fund investment. Investors prefer to invest in private mutual funds, open ended schemes

and balanced funds. It is also pointed out that most of the investors are not aware of the risk inherent in mutual

fund investment. They suggested for providing more investor education and awareness through workshops and seminars by SEBI.

Singh and Vanita (2002) Studies are also made in respect of the importance of mutual funds in developing countries. It is pointed out that mutual funds play a very significant role in economic development. **Jatana and Bosire (2003)** In another study it is pointed out that there should be comprehensive legislation to can be inspired by rendering their activity more transparent and providing better services.

Srivastava (2003) & Singh (2003) concluded that a few equity based mutual funds have rewarded well to the investors before the US-IRAQ war.

Singh and Chander (2003) argued that past performance has significant impact on the choice of mutual funds and schemes. Investor expected transparent service, repurchase facility, adequate information from mutual funds. Investors rely on such funds whose track record was good.

Sondhi and Jain (2005) evaluated 17 public and private sector mutual fund equity schemes covering the period April, 1993 to March, 2002. They concluded that the performance of private sector mutual funds is better than public sector mutual funds because of their efficiency in stock selection and market timing skills.

Rao and Satyasekhar (2006) showed that laggards may become leaders and vice versa during the long run. They conclude that performance in the short run may not give the same result, in the long run.

Singh (2006) analyzed the perceptions of investors towards mutual funds and concluded that various factors influence choice of a mutual fund, viz. past record of the organization, growth prospects, credit rating, market speculation, disclosure of adequate information etc.

Vanniarajan&Gurunathan (2007) pointed out that the important factors influencing Investment in mutual funds is monetary, core product, fund strength, promotional measures, customer expectation and service quality. The study concluded that mutual funds should prepare a suitable product strategy to meet customer needs. As majority of the investors are risk averters, mutual funds should concentrate on fund strength, customer expectation and service quality apart from monetary factors.

Sharan (2007) analyzed the various guidelines and policy measures issued by the Securities Exchange Board of India (SEBI) and their impact on mutual funds. He viewed that the various forms of regulation combined with organizational restructuring, liberalized investment policy and other incentives have led to far greater mobilization of resources and financial strength of the mutual funds as well as to greater investment of funds in the money and capital markets.

Khan (2007) analyzed different issues on mutual funds in detail and concluded that mutual funds are vital instruments of fund mobilization in the economy in the post liberalization era**.**

Tripathy (2007) highlighted the various facets of mutual funds. The study identified the various challenges to be encountered by mutual funds in future and concluded that the key to the success of mutual fund industry is the perceived confidence of the investors in the organization in total.

Pathak (2008) mentioned that the number of different types of mutual fund schemes has increased from 394 in 2000-01 to 788 in 2006-07 and concluded that the mutual fund industry is slowly catching the fancy of retail investors in India.

Sankaran (2008) studied the growth and future prospects of mutual fund industry in India. The study also examined the regulatory framework of mutual funds in India and pointed out that regulations should be strengthened for ensuring better service to the investors.

SatyaSwaroop (2009) evaluated the performance of 23 equity based mutual funds during the period April 1996 to March 2009. He used the Sharpe ratio, Treynor ratio and Jensen measure in his study and concluded that in the public sector UTI mutual fund schemes and in the private sector Franklin Templeton schemes out-performed the market.

Joshi (2010) analyzed the various issues on risk management in mutual funds and suggested methods of effective risk management in mutual funds.

Khurana&Panjwani (2010) used the Sharpe, Treynor and Jensen measure in order to evaluate the performance of fifteen (15) open ended hybrid mutual fund schemes . The study finds that all the schemes have out-performed the market in terms of most of the measures used in the study except ICICI Prudential Balanced Fund-G and Principal Balanced Fund-G.

Raju and Rao (2011) evaluated the risk adjusted performance of selected mutual fund schemes in India during January 2008 to December 2010. He used Treynor ratio, Sharp ratio, Jensen reveals that many schemes of infrastructure sector funds and index funds failed to outperform the market; there is low average beta, mismatch of the risk and return relationship in some schemes and negative net selectivity in more number of schemes.

Pournima S, Shenvi Dhume and B. Ramesh (2011) studied the performance of sectoral mutual funds in India during April 2008 to March 2011. The study aimed at evaluating the performance of five sectors viz. banking sector, FMCG sector, infrastructure sector, pharma sector and technology sector. They used Sharpe ratio, Treynor ratio, Jensen measures, information ratio and M-squared for evaluating the performance. The study reveals that all the sector funds have outperformed the market according to the Sharpe and Treynor ratio except infrastructure sector funds. FMCG sector is the lowest volatility sector with low standard deviation and

beta value having lower risk whereas banking and infrastructure sector shows highest volatility subject
to high risk among all the sectors considered together.

Rao and Daita (2011) analyzed the influence of fundamental factors such as economy, industry and company on the performance of mutual funds. With the help of correlation matrix, Augmented Dicky-Fuller (ADF) test and Granger casualty test, they tried to find out the relationship between real economic variables and their impact on the performance of mutual funds. The study concluded that the real economic variables are not significantly influencing the investment in mutual funds.

The industry analysis revealed that the entire mutual fund industry was dominated by a few players with big chunk of their AUM. The company analysis revealed that the P/B Ratio and P/E ratio have great impact on the returns earned by a fund followed by fund size and market capitalization.

Bal and Paul (2012) stated that the growth of mutual fund industry was hit hurted several times. He stated that the fiscal year 2008-09 was a challenging year for mutual fund industry in India as it passed through the financial Tsunami caused by world economy meltdown. But the study shows that the industry witnessed a robust growth in the fiscal year 2009-10 and thereafter due to strong governmental effort and SEBIs supportive regulations.

Singh (2012)analyzed the role of SEBI in regulating mutual funds in India and concluded that the existing sets of regulations should be further strengthened in order to make the functioning of mutual funds more transparent, to win investors confidence and better performance of the funds.

Jain (2012) made a study of 45 equity based mutual fund schemes offered by 2 public sector companies and 2 private sector companies in India during the period April 1997 to April 2012 on the basis of risk-return analysis. The study concluded

that the private sector mutual funds performed better than the public sector mutual funds during the study period.

Thakkar (2012) The study pointed out that during the period 2006-2012, the growth of Gold ETFs schemes was noticeable and the private sector mutual funds dominated the industry and UTI Mutual Fund was the least preferred ones.

Zaheeruddin, Sivakumar & Reddy (2013) analyzed the performance of three mutual funds from the financial services sector. They considered HDFC Mutual Fund, Birla Sunlife Mutual Fund and ICICI Prudential Mutual Fund for the purpose during the period July 2009 to April 2012 .They concluded that ICICI Prudential Mutual Fund performed better under Sharpe, Treynor and Jensen measures than HDFC and Birla Sunlife Mutual Fund.

6.0 Research Gap

It is evident from all the theoretical and empirical studies that mutual funds in India have a great role to play in order to strengthen the Indian capital market. As a result of its growing importance, the evaluation of mutual funds is of great concern among the researchers, academicians, fund managers and financial analysts in India at present.

Different studies used different parameters and measures in order to evaluate the performance. It is also found that in one time some funds became leaders and in other times they were laggards. The reason for this inconsistency is not explained clearly in earlier studies. Also some studies were related to only a leading mutual fund company, some studies were related to a few public sector and private sector mutual funds and some studies were related to only a few schemes, sometimes only growth schemes, sometimes only income schemes and sometimes only balanced schemes. All theses created a gap in earlier studies.

On the basis of India’s total share in worldwide mutual funds assets does not touch even one percent. India has low saving ratio in equity and mutual funds compare to

other investment instruments. Retail investors do not prefer to invest in mutual funds. Of the total investors, greater part of investment is concentrated to metro cities only, reveals low level of penetration in urban, semi urban and rural areas. These issues throw lights on poor presentation of mutual funds industries in India. Furthermore, an extensive effort have been undertaken by visiting department of different universities of Rajasthan and by accessing the magazine "University News" published by Association of Indian University, New Delhi and it was found that as of today to the best of my knowledge, no research work has been done on perceptions among investors about mutual funds, perceived opportunities and problem for investment in mutual funds. In line with that the proposed research work undertaken to fill-up this gap and to study "Perceptions, Opportunities & Problems for retail investors with reference to mutual funds."

7.0 Hypothesis of the Study

1. There will be no significant association between socio economic profile and method of investment in mutual funds.
2. There will be no significant association between socio economic profile and type of mutual funds preferred.
3. There will be no significant association between socio economic profile and type of risk preferred.
4. There will be no significant association between socio economic profile and duration of investment in mutual funds.
5. There will be no significant difference in mean score of preferences given by respondents for different source of information about mutual funds.
6. There will be no significant difference in mean score of preferences given by respondents for different schemes of mutual funds.
7. There will be no significant difference in mean score of preferences given by respondents for different sponsors of mutual funds.

8. There will be no significant difference in mean score of preferences given by respondents for different investment avenues.
9. Perceptions will be not significantly differ across different demographic variables of the respondents
10. Perceived opportunities will be not significantly differ across different demographic variables of the respondents.
11. Perceived problems will be not significantly differ across different demographic variables of the respondents.

8.1 Research Methodology

In this study, researcher will be adopted two stage research approaches. In the first instance, exploratory research will be used to explore and obtain clarity about the problem situation. Exploratory research has been conducted by using following methods.

1) Qualitative research will be done by conducting in-depth focus group interview of senior level experienced and expert persons in mutual funds industry.

2) Secondary data which is fast and inexpensive way of collecting information will be used. Authenticated and published data will be collected from journals, internet, magazines, books, newspapers, published reports of SEBI, AMFI, RBI etc,. Computerized database such as Proquest, JSTOR, Emerald, Capitaline, Prowess, will also be used.

In the second stage, conclusive – descriptive – single cross sectional research will be conducted for gathering data for testing the research hypotheses. This design used to validate the hypothesis will be generated from exploratory research. Descriptive research will be most suitable form for this research as it enables

researcher to identify and quantify key variables under study and provides measurable output that helps to validate hypothesis and helps to achieve objectives under study.

8.2 Sampling

An element comprises a single member of the population. For present study, retail mutual funds investors will be considered as sampling element by random sampling method.

It is a subset of the population. It comprises only some elements of the population. It is that part of total population which is selected for further research. For this study, sample consists of 500 retail mutual funds investors who will be selected for further analysis.

8.3 Instrument Development

To satisfy objectives of the research, an instrument in the form of structured questionnaire will be developed. It will satisfies research objectives through measurement of dependent and independent variables under study. In order to prepare instrument, different variables will be identified from literature survey.

For present study, questionnaire will be developed under the supervision of guide and changes will be made as per guide suggestions. After preparing questionnaire, the opinion of experts in mutual funds industry will also be taken for better and practical understanding of questionnaire from respondent point of view. Their suggestions will be also incorporated.

8.4 Data Analysis and Software Used for Data Analysis

For analyzing data, Descriptive Statistics, Chi-Square test, Friedman ANOVA, Factor Analysis and ANOVA, Post-hoc and Cramer's V techniques will be used with the help of Microsoft Excel and SPSS (Statistical Software for Social Study) software

8.5 Limitations of the Study

The proposed research study is subject to following limitations.

- Investor behavior is a very wide subject; so present research work covers only behavioural aspects about perceptions, opportunities and problems for retail investors with reference to investment in mutual funds.
- As the survey of whole population cannot be conducted due to time and cost constraints, researcher will be selected samples from the universe. It also acts as a limitation for present study.
- While taking opinion of retail investors i.e. filling questionnaire for primary data collection, halo effect of respondents may restricts the proposed study to certain extent.
- The research study will be includes only retail investors of mutual funds in sample due to time and cost consideration. So, ignorance of institutional investors of mutual funds becomes another limitation to generalize finding of the study.
- Data will be collected at one point of time so; the result will be vary if the study conducted at any other point of time.
- The investors generally differ in their opinion. Sometimes the difference will be very high in their opinion. For collecting data random sampling method is used. So, the limitations of random sampling method also restrict the finding of the study.

8.6 Chapter Scheme

The research work will be organized into seven chapters as mentioned below:

Chapter 1:Introduction

Includes general introduction, statement of the problem, significance of the study, objectives of the study, Hypothesis,and limitations of the study.

Limitations,

Chapter 2: Review of literature, methodology of the study.

Chapter 3: Concept, History and Regulatory Framework of Mutual Funds in India and Rajasthan.

which will covers concept of mutual funds, characteristics of mutual funds, advantages of mutual funds, disadvantages of mutual funds, types of mutual funds, history of mutual funds, organization structure of mutual funds in India and Rajasthan.

It focuses on the need and objectives of regulation, guidelines used by RBI, Govt. of India and SEBI and a critical analysis of regulatory frame work in India and Rajasthan.

Chapter 4: **Growth of Mutual Funds in India and Rajasthan**.

This chapter will contains the trend of growth in assets under management (AUM) sector wise, scheme wise, category wise as well as selected fund wise, trend in net resource mobilsation by mutual funds, trend in transactions on stock exchanges by mutual funds and the growth in respect of number of mutual funds and schemes in operation.

Chapter 5: **Accounting and Disclosure Practices of Mutual Funds in Retail Investors of Rajasthan.** This chapter presents the SEBI (Mutual Funds) Regulations on accounting policies, disclosure requirements of mutual funds and an analysis of the accounting and disclosure practices of mutual funds in retail investors of Rajasthan. It also deals with the profile of the selected mutual funds and schemes and performance analysis of the selected mutual fund schemes.

Chapter 6: **Analysis And Interpretation Of various investment avenues in retail investors in Rajasthan**

Describe various investment avenues available in Rajasthan for retail investors. It explains working of financial system in Rajasthan and also throws light on working of primary market and secondary market. It also discusses pros and cons of investment in different investment avenues available to retail investors.

Analysis and interpretation of the data will be collected during primary survey. Different statistical tools such as descriptive statistics, Friedman ANOVA and factor analysis.

Chapter 7: **Summary of Findings, Suggestions and Conclusion**.

Last chapter will be concludes with overall findings of the study. It also put-forward some suggestions to increase perception among investors. The chapter will also be discusses important factors consider by investors as opportunities to and

threats of investing in mutual funds. Finally, chapter will be concludes with providing scope for further research.

Bibliography

- Avadhani, V.A. (1999), *Marketing of Financial Services*, Himalaya Publishing House, Mumbai.
- Bal, R.K & Paul, P (2012), *Growth of Mutual Fund Industry in India*, Contemporary Issues in Accounting and Finance, Rahman A.R.M(ed.), Akansha Publishing House, New Delhi, pp.39-54.
- Bansal L.K (1991), *Challenges for Mutual Funds in India,* Chartered Secretary, Vol. 21(10), October, 1991.
- Bansal, L.K. (1996), *Mutual Funds- Management and Working*, Deep and Deep Publication, New Delhi, p. 24.
- Bansal, L.K. (1996), *Mutual Funds Management and Working*, Deep and Deep Publications, New Delhi.
- Barua S, K et al (1991), *Master Share : a bonanza for large investors,*Vikalpa, 16(1), April-June.
- Barua S.K, Raghunathan, V &Varma J.R (1991), *Master Share: A bonanza for large investors,*Vikalpa, January-March.9
- Bhatia, B.S &Batra, G.S. (2008), *Management of Financial Services*, Deep& Deep Publications, New Delhi.
- Donald E. Fischer & Ronald J. Jordon (1994), *Security Analysis & PortfoliovManagement*, Prentice Hall of India, New Delhi, p.2
- Fama, Eugene F. (1972), *Components of Investment Performance*, Journal of Finance vol. XVII (3), pp. 551-567.
- Friend et al (1962), *A Study of Mutual Funds, SEC, USA.*

- Gangadhar, V, *The Changing Pattern of Mutual Funds in India*, The Management Accountant, Vol. 26(3), March, 1991.
- Gupta (1974*), The Mutual Fund Industry and its Comparative Performance*, Journal of Financial and Quantitative Analysis, Vol. 6.
- Gupta, L.C (1991), *Indian Share Owners: A Survey*, Society for Capital Market Research & Development, New Delhi.
- Gupta. A (2001), *Mutual Funds in India: A study of Investment management*, Finance India, Vol. XV (2), p-631, June.
- Jain, S (2012), *Analysis of Equity Based Mutual Funds in India*, IOSR Journal of Business & Management, Vol.2, Issue.1, July-August, pp. 01-04.
- Jatana, R.andBosire, J.K. (2003), *Mutual Fund & Development*, The Indian Journal of commerce, Vol- 56 No.4, pp. 92-95
- Jayadev, M.(1998), *Performance Evaluation of Portfolio managers: An Empirical Evidence on Indian Mutual Funds,* Applied Finance, Vol. 5, No. 2, pp. 41-67 .
- Jensen, M.C. (1968), *The Performance of Mutual Funds*, *1945-64* Finance Vol-23, May, pp-318-416.
- Kaptain, S.S (1996*), Mutual Funds: The New Money Spinners*, Management of Financial Services, eds. B.L Mathur, RBSA Publishers, Jaipur, pp-55-66.
- Katerina, S (1998), *Risk Adjusted Performance of Mutual Funds*, New England Economic Review.
- Kaura, M.N &Jayadev, M (1995), *Performance of Growth Oriented Mutual Funds: An Evaluation*, Applied Finance, Vol. 1, No. 1, pp.1-14.
- Khan, M.Y & Jain, P.K. (2007), *Indian Financial System*, Tata McGraw Hill Publishing Co. Ltd., New Delhi.
- Khurana, A &Panjwani, K (2010), *Hybrid Mutual Funds: An Analysis*, APJRBM, Vol.1, Issue.2, November.
- Krishnamurthi, S(1997),*Genesis of Mutual Funds in India*,Vision Books, New Delhi. Sahadevan and Thiripalraju (1997), *Mutual Funds Data Interpretation and Analysis*, Prentice Hall of India.
- Mathur, B.L(ed), (1996), *Management of Financial Services*, RBSA Publishers, Jaipur.
- McDonald and John (1974), *Objectives and Performance of Mutual unds, 1960- 69*, Journal of Financial and Quantitative Analysis, Vol. 9.
- Narasimham, M. (1992), *The Financial System*, Nabhi Publication, New Delhi, p. 77
- Pathak, V.Bharati, (2008), *The Indian Financial System*, Dorling Kindersley (India) Pvt. Ltd. New Delhi.

- Pournima, S, Dhume. S & Ramesh, B (2011), *Performance Analysis of Indian Mutual funds with Special Reference to Sector Funds*, The Indian Journal of Commerce, Vol. 64, No. 3, July-September. pp .48-60,
- Raju, B.P &Rao, K.M (2011*), Risk Adjusted Performance Evaluation of Selected Indian Mutual Fund Schemes*, The Indian Journal of Commerce, Vol.64, No. 4, October-December, pp. 28-37.
- Raju, B.P. and Rao, K.M. (2008), *Performance Evaluation of Selected Indian Mutual Fund Schemes*, The Indian Journal of Commerce, Vol-61, No. 3, July- September, pp. 70-81.
- Ramesh Chander (2000), *Performance Appraisal of Mutual Funds in India*, Finance India, Vol. XIV (4), pp.1256-1261.
- Rao Prasada, S.S. and SatyaSekhar, G.V. (2006), *Leaders vs. Laggards: An Appraisal of Select Mutual Funds*, The Indian Journal of Commerce, Vol-59, No.2, pp.84-93.
- Rao, K.V &Daita , N (2011), *Fundamental factors Influencing investment in Mutual Funds-EIC Approach-A Case Study of RCAML*, The Indian Journal of Commerce, Vol.64, No. 3, July-September, pp. 61-73.
- Rao, K.V &Venkateswarlu, K (1998), *Market Timing Abilities of Fund Managers- A Case Study of UTI*, A Paper Presented at UTI-ICM, December, 1998.
- Saha, Tapas Ranjan (2003), *Indian Mutual Fund Management*, Management Accountant, October 2003.
- Sankaran, S (2008*), Indian Mutual Funds Handbook*, Vision Books New Delhi.
- Sarkar A.K (1991), *Mutual Funds in India-Emerging Trends*, The Management Accountant, Vol. 26(3), March, 1991.
- Sarkar, J&Mazumder, S (1994), *Performance Evaluation of Mutual Funds in India*, NMIS Management Review, Vol.6, No.2, pp. 64-78.
- Satya Swaroop, D (2009), *Investigating Performance of Equity Based Mutual Funds Schemes in Indian Scenario*, KCA Journal of Business Management, Vol.2 (2) Joshi, D.R. (2010), *Mutual Funds and Hedge Funds*, Cyber Tech Publications, New Delhi.
- Sehgal, Sanjay (1997), *An Empirical Testing of Three Parameters CAPM in India*, Finance India, Vol. XI, No. 4, December.
- Sharan, V. (2007), *Reforming Mutual Funds in India*, The Indian Journal of Commerce, Vol-60, No.4, October-December, pp. 77-86,
- Sharpe, William F. (1966), *Mutual Fund Performance*, Journal of Business, pp.119- 138, January.
- Singh, G. (2003), *Mutual Funds-Performance Evaluation of Equity Funds*, The Indian Journal of Commerce, Vol- 56, No.4, pp. 47-55

- Singh, H.K & Singh, M, (2001), *Mutual Funds and Capital Market*, Kanishka Publishers, New Delhi, p.17.
- Singh, H.K.and Singh, M. (2001), *Mutual Funds and Indian Capital Market*, Kanishka Publishers, New Delhi.
- Singh, J &SubashChandar (2003), *What Drives the Investors towards Mutual Funds: an Empirical Analysis*, Applied Finance, Vol. 9(8), pp-38-47.
- Singh, J. (2000), *Mutual Funds-Growth, Performance and Prospects*, Deep and Deep Publication, New Delhi, p.5.
- Singh, J. (2006), *Mutual Funds-Growth, Performance and Prospects*, Deep and Deep Publications, New Delhi
- Singh, R.K (2012), *Role of SEBI in regulating Mutual Funds*, International Journal of Trade & Commerce-IIARTC, Vol.1, pp.45-59.
- Singh, Y.P. &Vanita (2002), *A Survey*, Indian Journal of Commerce, Vol. 55 (3), July-September, pp. 8-20.
- Sisodiya, A.S (2004*), Mutual fund Industry in India: Coming of age*, Chartered Financial Analyst, July, pp. 17-22.
- Sondhi, H.J & Jain P.K (2005), *Financial Management of Private and Public Sector Equity Mutual Funds in India*, Applied Finance, Vol-11, No-6, pp-14-27.
- Srivastava, R.M. & Nigam, D. (2003), *Management of Indian Financial System* Himalaya Publishing House, New Delhi.
- Thakkar, J (2012), *Investment in Mutual Funds*, Indian Journal of Applied Research, Vol.2, Issue. 1, pp. 21-23.
- Treynor and Mazuy (1966), *Can Mutual Funds Outguess the Markets*, Harvard Business Review, Vol. 44.
- Tripathy N.P (1996), *Mutual Funds in India: A Financial Service in Capital Market*, Finance India, Vol. X (I), March, 1996.
- Tripathy, N.P. (2007*), Mutual Funds in India-Emerging Issues*, Excel Books, New Delhi.
- Vanniarajan,T. and Gurunathan, P (2007), *Investment in Mutual Funds: A Customer Centric Analysis*, Indian Journal of Accounting, Vol. 37(2), June , pp.9-17.
- Vidyashankar S (1990), *Mutual Funds: Emerging Trends in India*, Chartered Secretary, Vol. 20(8), August, 1990.
- Zaheeruddin, M, Sivakumar, P & Reddy, K.S (2013**),** *Performance Evaluation of Mutual Funds in India with Special Reference to Selected Financial Intermediaries*, IOSR Journal of Business & Management, Vol.7, Issue. 2, January-February, pp. 34-40.